

Message Text

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ACTION AID-59

INFO OCT-01 AF-10 EUR-12 EA-10 ISO-00 TRSE-00 XMB-02
AGR-01 COME-00 LAB-04 OPIC-03 STR-07 NSC-05 OMB-01
PC-01 SP-02 SS-15 EB-08 IO-13 DOE-15 SOE-02
CIAE-00 INR-10 NSAE-00 /181 W
-----046462 121908Z /45

R 111353Z AUG 78
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 3154
INFO AMEMBASSY BONN
AMEMBASSY LAGOS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TOKYO
AMEMBASSY BRUSSELS

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ALSO FOR USEEC AND USOECD

E.O. 11652: N/A
TAGS: EAID, NI, NL
SUBJECT: DEVELOPMENT COORDINATING COMMITTEE (DCC)--REVIEW OF
NIGERIA

REF: STATE 197089

1. OUR RESPONSES TO QUERIES CONTAINED IN REFTEL REGARDING
DUTCH AID TO NIGERIA ARE AS FOLLOWS:
(A) DUTCH DEVELOPMENT AID POLICY-NETHERLANDS HAS MOVED
INCREASINGLY IN RECENT YEARS TO CONCENTRATE ITS AID ON
SELECTED TARGET COUNTRIES DEEMED TO HAVE THE GREATEST NEEDS
IN RELATION TO THEIR OWN RESOURCES. IN SELECTING TARGET
COUNTRIES, DUTCH GOVERNMENT USES MAINLY THREE CRITERIA: (1) THOSE
THAT ARE MOST SERIOUSLY AFFECTED BY HIGH OIL PRICES; (2)
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THOSE WITH BALANCE OF PAYMENTS PROBLEMS; AND (3) THOSE WITH
DECLINING EXPORTS.
(B) POLICY TOWARD NIGERIA-NETHERLANDS REMOVED NIGERIA
FROM TARGET STATUS IN 1975 BECAUSE OF LATTER'S SUBSTANTIAL
EARNINGS FROM OIL. THE ONLY REMAINING BILATERAL DUTCH
AID TO NIGERIA COMPRISES "PIPELINE" FUNDS BUDGETED BE-
FORE 1975 BUT NOT YET DISBURSED.

(C) COMPOSITION AND MODALITIES OF AID-ONLY ONE LOAN AND ONE TECHNICAL ASSISTANCE PROGRAM HAVE REMAINING FUNDS. THE LOAN IS FOR 18 MILLION GULDERS (DFL 2.14 EQUALS US\$1). IT WAS AUTHORIZED IN 1974 AT TWO AND ONE HALF PERCENT INTEREST WITH A 30 YEAR REPAYMENT PERIOD (INCLUDING EIGHT YEARS GRACE) AS AN IMPORT PROGRAM AID LOAN TO THE FEDERAL GOVERNMENT. AS SUCH IT COULD BE SPENT ON MUTUALLY AGREED GOODS FROM THE NETHERLANDS OR THIRD WORLD COUNTRIES TO SUPPORT SPECIFIC GOALS, BUT NO PROJECTS OR PROGRAMS FOR SPENDING THE MONEY HAVE YET BEEN AGREED ON BY NIGERIA AND THE NETHERLANDS. ACCORDING TO DUTCH FOREIGN MINISTRY, HOWEVER, NIGERIA REMAINS INTERDSTED IN TAKING UP THE LOAN AND A SPECIFIC DISBURSEMENT AGREEMENT MAY COME SOON. WHEN NIGERIA LOST ITS TARGET COUNTRY STATUS, ABOUT NINE MILLION GULDERS IN TECHNICAL ASSISTANCE FUNDS (WHICH ARE GRANTS) REMAINED AUTHORIZED BUT NOT YET DISBURSED. THE NETHERLANDS AGREED THAT THESE REMAINING FUNDS COULD BE USED UNTIL EXHAUSTED FOR TOPPING OFF SALARIES OF FOREIGN EXPERTS. UNDER THIS PROCEDURE, NIGERIA INITIATES ITS OWN PROJECTS AND HIRES TECHNICAL EXPERTS ON LOCAL CONTRACTS. IF EXPERTS MUST BE OBTAINED FROM ABROAD, DUTCH TECHNICAL ASSISTANCE FUNDS MAY BE USED TO SUPPLEMENT LOCAL SALARIES TO MAKE THE OVERALL COMPENSATION PACKAGE HIGH ENOUGH TO ATTRACT THE REQUIRED EXPERTS.

(D) NIGERIA'S DEVELOPMENT POLICY AND PRACTICE-MAIN DIFFICULTIES DUTCH HAVE ENCOUNTERED IN UTILIZATION OF AID (BOTH GRANTS AND LOANS) RESOLVE AROUND STIMULATING NIGERIANS TO LIMITED OFFICIAL USE

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COME UP WITH ACCEPTABLE PROJECTS AND PROGRAMS. THESE DIFFICULTIES AND DECLINING DUTCH BILATERAL AID TO NIGERIA HAVE CAUSED DUTCH TO LEAN MORE TOWARD SUPPORTING MULTILATERAL PROGRAMS.

(E) THE FUTURE-GIVEN NIGERIA'S RELATIVE AFFLUENCE COMPARED TO OTHER DEVELOPING COUNTRIES, DUTCH DOUBT NIGERIA WILL RETURN TO TARGET COUNTRY STATUS. THERE ARE JUST TOO MANY OTHER COUNTRIES WHOSE NEEDS ARE CONSIDERED GREATER. NIGERIA WILL BE ELIGIBLE TO RECEIE DUTCH AID UNDER CERTAIN GENERAL PROGRAMS OPEN TO ALL DEVELOPING COUNTRIES, BUT IT WOULD STILL HAVE TO COMPETE FOR SUCH FUNDS WITH COUNTRIES WITH GREATER NEEDS AND SMALLER RESOURCES. IT SHOULD BE NOTED THAT NETHERLANDS FAVORES MORE EFFECTIVE USE OF UN-TYPE MULTILATERAL AID, IS A CONTRIBUTING MEMBER OF THE AFRICAN DEVELOPMENT BANK, AND ALSO PROVIDES AID THROUGH EEC FACILITIES INCLUDING STABEX, THE EUROPEAN DEVELOPMENT FUND AND THE LOME CONVENTION--ALL OF WHICH MAY PROVIDE SOME ECONOMIC BENEFIT TO NIGERIA.
DUNNIGAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMITTEES, DEVELOPMENT PROGRAMS, FOREIGN ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 11 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978THEHA04478
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780330-0882
Format: TEL
From: THE HAGUE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780871/aaaachwe.tel
Line Count: 113
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 2cd28264-c288-dd11-92da-001cc4696bcc
Office: ACTION AID
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 197089
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1762634
Secure: OPEN
Status: NATIVE
Subject: DEVELOPMENT COORDINATING COMMITTEE (DCC)--REVIEW OF NIGERIA
TAGS: EAID, NI, NL
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/2cd28264-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014